Special Research Work (SRW)-2503

A Survey Report on Trends and Causes of High Food Inflation in Rural and Urban Areas

Bangladesh Bank
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Executive Summary

A meeting of the Monetary Policy Committee (MPC), Bangladesh Bank in 2024, focused on the rational causes for ongoing high food inflation in both urban and rural regions of the country. The meeting adjured to prepare a survey report regarding the factors and mechanisms behind the persistent high food inflation. The Research Department of Bangladesh Bank conducted a pilot field survey from 23 June to 4 July, 2024 to comprehend the factors contributing to food inflation in urban and rural regions. The survey team prepared this report by analyzing the responses of 23 selected food products obtained from retailers, wholesalers, importers, and producers in urban (24 district cities) and rural (26 Upazilas) areas across 24 districts of Bangladesh. The districts from eight divisions were chosen by the concentration of production of the selected food items. The study has largely focused on the recent price increases of cereals (2 items with two varieties each), protein-related foods (9 items), vegetables (6 items), edible oil (1 item) and culinary essentials (5 items).

According to the survey, except for rice, lentil, and soybean oil, the prices of most food items increased by over 10 percent between June 2023 and June 2024. The increases in rice prices were more pronounced in rural areas, where smaller mills were gradually being substituted by large-scale rice companies. Flour prices saw sharper increases in rural regions, particularly the loose variety, which is more popular there, while packaged flour prices remained stable across both urban and rural areas.

Among the protein items, this survey found that chicken egg prices increased sharply in both rural and urban regions primarily due to limited production but a persistent rise in demand. The responses expressed concerns regarding imperfect market dynamics in poultry hatcheries, the presence of multiple intermediaries between wholesale and retail markets, and increasing transportation costs. Furthermore, the survey identified that rural egg prices experienced a larger increase compared to the urban region.

Chicken meat prices of all types (local, broiler, *Sonali*) showed a significant increase in this survey. Chicken prices varied by type. Local chicken prices increased more in urban areas might be due to higher demand, while the price of broiler chicken increased more slowly in rural areas where small-scale production is common. Beef prices were higher in urban areas where demands were high, driven by the transportation cost of cattle from rural regions.

The survey also found that fresh fish and vegetables typically fetch lower prices in rural areas, whereas higher storage and transportation costs drive up prices in urban areas. The price of soybean oil decreased gradually over the last two years and there was no significant variation in price of soybean oil (pet bottled) in urban and rural areas. However, the prices of onion, garlic and ginger were higher in urban areas, especially the imported varieties, due to higher transport costs and urban demand.

The survey responses identified several factors underlying the increase in food prices. The production costs increased significantly due to rising prices of inputs such as seeds, chicks, fertilisers, medicine and vaccinations, animal feed, wages, and rent. In addition, many farmers have shifted from producing traditional crops like medium and coarse paddy varieties to more profitable fine paddy production option, reducing the overall supply of essential grains. Responses to this survey showed concern regarding the fact that the food and agricultural input market is increasingly controlled by large companies, leading to uneven competition and higher prices. Too many ownership transfers, more specifically an excessive number of intermediaries, have a direct impact on the price of agricultural products. The price of imported food items has been further inflated by fluctuations in global food prices and the depreciation of the Bangladeshi Taka. Furthermore, rising transportation costs and wholesale inventory storage costs have contributed to the increase in prices at both wholesale and retail levels.

In a perfectly competitive market, price manipulation is not possible. However, the survey team identified market imperfections, with several large companies exerting significant control over agricultural inputs and products. In such cases, government regulatory authorities and monitoring institutions can play a key role in promoting market efficiency and steering it closer to perfect competition. Monetary policy, however, is not an appropriate tool to address supply-side shocks or market imperfections. Similarly, it cannot be relied upon to stabilise sectoral prices, even though these prices remain sensitive to inflation expectations arising from sustained high inflation, which may have originated from prior monetary stimulus.

As inflation is largely driven by non-economic factors, the government should adopt measures to curb the monopolistic dominance of large corporations in the market, thereby promoting greater competition at both the production and import levels. Providing subsidies for key agricultural inputs—such as seeds, fertilisers, and fuel—would help lower production costs for farmers. In addition, expanding cold storage facilities in major agricultural regions could reduce post-harvest losses and help stabilise prices. In order to mitigate price distortions, it is recommended that market monitoring should be enhanced and quick actions should be taken against hoarding of essential food items. Promoting direct purchasing systems, such as cooperative-based marketing or online platforms, could allow consumers to buy directly from farmers, reducing intermediary costs and stabilizing food prices.

The survey team has identified several factors contributing to supply chain inefficiencies, most of which require government intervention and the implementation of appropriate policies for improvement. If these supply-side inefficiencies are not addressed, the effectiveness of the monetary policy undertaken by Bangladesh Bank may diminish, potentially worsening the inflationary situation. While the survey findings indicate the presence of supply-side shocks and imperfections as reported by respondents, the team could not quantify the extent of market control exercised by large firms or farms. Hence, a further study may be undertaken to assess the degree of market concentration and influence of large entities in the supply chains.

1. Background and Methodology

Inflation is a crucial indicator of economic health and plays a significant role in shaping the economic policy and financial planning of Bangladesh. Bangladesh Bank and policymakers are closely monitoring inflation to ensure price stability and support sustainable economic growth in the country. Bangladesh Bank regularly employs various tools, such as adjusting interest rates and controlling the money supply to manage inflation and mitigate its impact on the economy. Inflation is influenced by various factors, including increased demand for goods and services, higher production costs, few companies' monopolistic power in the local market and monetary policy decisions, etc. While moderate inflation is a normal part of a growing economy and can even signal robust economic activity, excessive inflation can pose serious challenges. It can erode savings, distort spending and investment decisions, and lead to economic instability.

In the wake of the shocks from the COVID-19 pandemic and Russia's invasion of Ukraine, inflation increased significantly around the world. Currently, central banks worldwide are taking restrictive monetary measures to reduce inflation while prioritising financial stability. In Bangladesh, some fundamental decisions are being taken by reviewing the current macroeconomic situation in the domestic and global context in the Monetary Policy Committee (MPC) meetings. The MPC meeting (held on 8 May 2024) has emphasised finding the logical reasons for the persistent high food inflation in urban and rural areas in Bangladesh. From this point of view, a decision was made during the meeting to submit a survey report to the MPC on the trends and causes of high food inflation in rural and urban areas.

1.1 Objectives of the Study

The primary objectives of the study were to analyse the ongoing trends and key factors contributing to the high levels of food inflation in both urban and rural areas of Bangladesh. By examining the specific drivers of rising food prices, the study aimed to offer practical recommendations and policy measures to curb food inflation, ensuring more stable food prices and reducing the burden on consumers, particularly, in rural areas.

1.2 Data Collection

Considering the weight and price increases of specific food items, the study team selected 23 major food items from the Consumer Price Index (CPI) basket compiled by the Bangladesh Bureau of Statistics (Annexure-I). A survey team consisting of 6 sub-teams, was formed to collect data. The team gathered information for the years 2022 to 2024 on these food items from farmers/producers, importers, wholesalers, and retailers in 24 urban (district cities) and 26 rural (Upazilas) areas across 24 districts (Annexure-II) through questionnaires. These districts were selected based on the production concentration of the chosen 23 food items. The data collection process employed both qualitative and quantitative methods (Annexure-III).

1.4 Methodology

Initially, the research team's activities focused on collecting secondary data, developing questionnaires, and selecting beneficiaries. After that, the collection of primary data and report preparation were conducted in the following steps.

In the first phase, letters were sent to the Department of Agricultural Extension and the Department of Agricultural Marketing to collect information from producers, importers, wholesalers, and retailers of food products in urban and rural areas in the chosen district. Letters were also sent to the Lead Banks (Annexure IV) involved in the District Agricultural Credit Programmes requesting cooperation to find and locate producers, importers, wholesalers, and retailers of food products in the selected districts.

In the second phase, data were collected using a set of questionnaire from at least 560 producers, wholesalers, and retailers on a random basis from 24 district cities and 26 Upazilas in 24 districts. The distribution of producers, retailers, and wholesalers in the sample was determined according to district-wise food production. Additionally, information on import-dependent food products was collected from importers and dealers of the respective products.

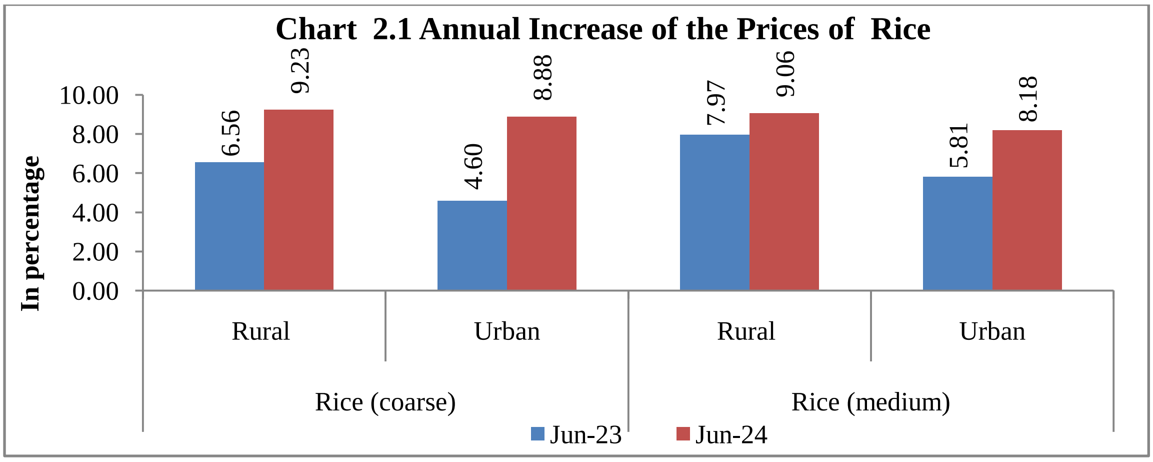
In the third phase, a report was prepared, analysing the trends and causes of food inflation in urban and rural areas. This analysis was based on the field-level data, along with specific recommendations formulated to address high food inflation.

2. Price Situation of Major Food Items in Rural and Urban Areas

2.1 Price of Cereals

2.1.1 Price of Rice

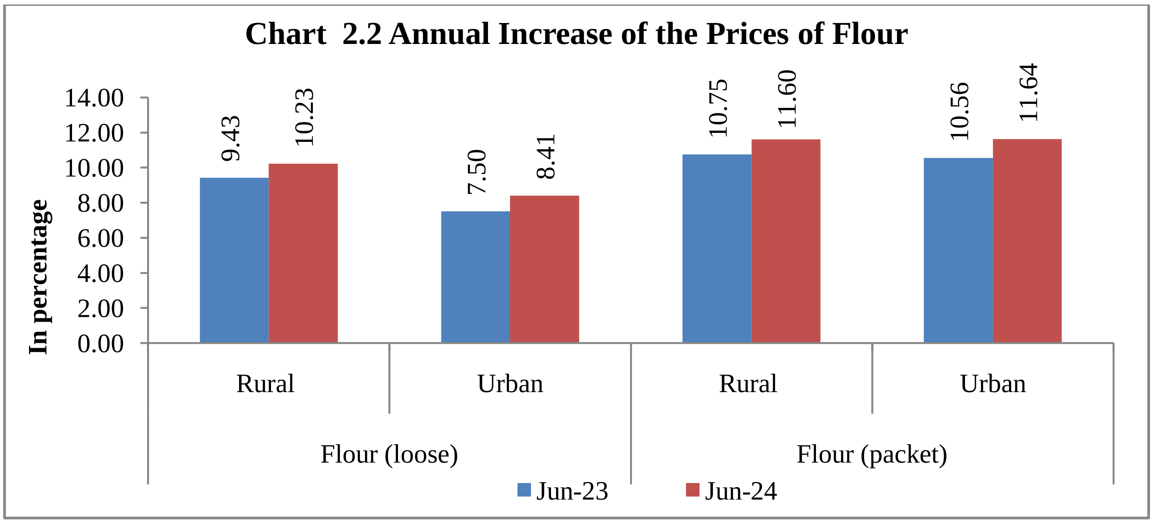
The survey team collected data on the prices of medium and coarse rice in both rural and urban areas. In rural areas, the retail price of one kilogram of coarse rice increased by 9.23 percent in June 2024 compared to a 6.56 percent increase in June 2023, while medium rice saw annual increases of 9.06 percent in June 2024 compared to a 7.97 percent increase in June 2023. In contrast, urban areas experienced a rise in the retail price of coarse rice by 8.88 percent in June 2024 compared to a 4.60 percent increase in June 2023, while medium rice saw annual increases of 8.18 percent in June 2024 compared to a 5.81 percent increase in June 2023. The increase in the prices of rice of both medium and coarse varieties is observed higher in rural areas than urban areas. This trend is partly due to the decline of small rural rice mills, driven by large-scale production from big rice companies, while the government's open market sales (OMS) on a large scale in urban areas helped keep prices lower there. These annual price increases for both types of rice are illustrated in Chart 2.1.



Source: Calculation by Survey Team

2.1.2. Price of Flour

The survey team collected information on the prices of two types of flour—loose and packet. In rural areas, the retail price of one kilogram of loose flour increased by 10.23 percent in June 2024 compared to a 9.43 percent increase in June 2023, while packet flour saw annual increases of 11.60 percent in June 2024 compared to 10.75 percent increase in June 2023. In contrast, urban areas experienced a rise in the retail price of loose flour by 8.41 percent in June 2024 compared to 7.50 percent increase in June 2023, and the retail price of packet flour increased by 11.64 percent in June 2024 compared to a 10.56 percent increase in June 2023. The data reveal that the price increase for loose flour is higher in rural areas compared to urban areas, likely due to greater demand among rural consumers. In contrast, the price of packet flour remains fixed across both areas, resulting in no significant variation in its price increase. The annual price increases for both types of flour are illustrated in Chart 2.2.

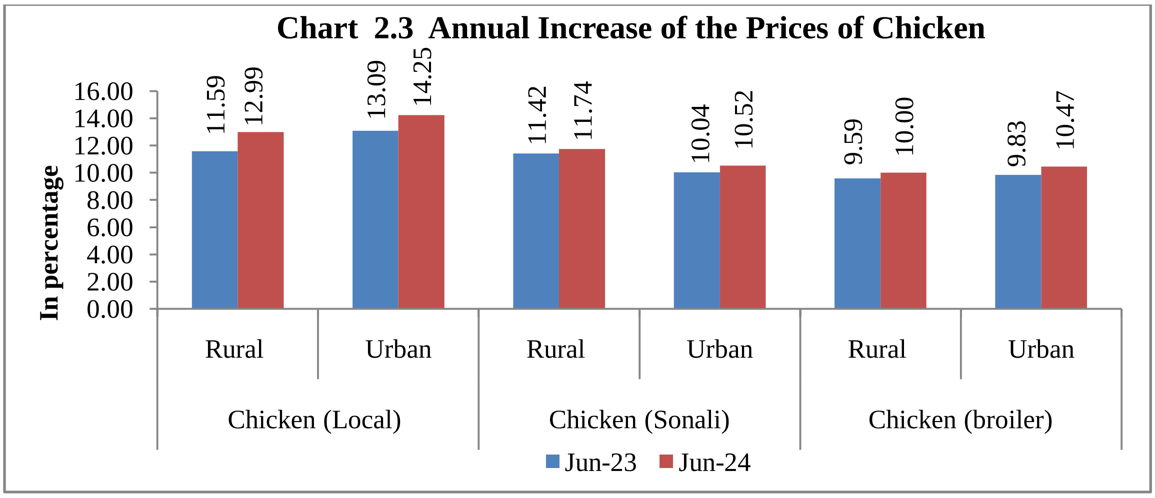


Source: Calculation by Survey Team

2.2. Price of Protein

2.2.1. Price of Chicken

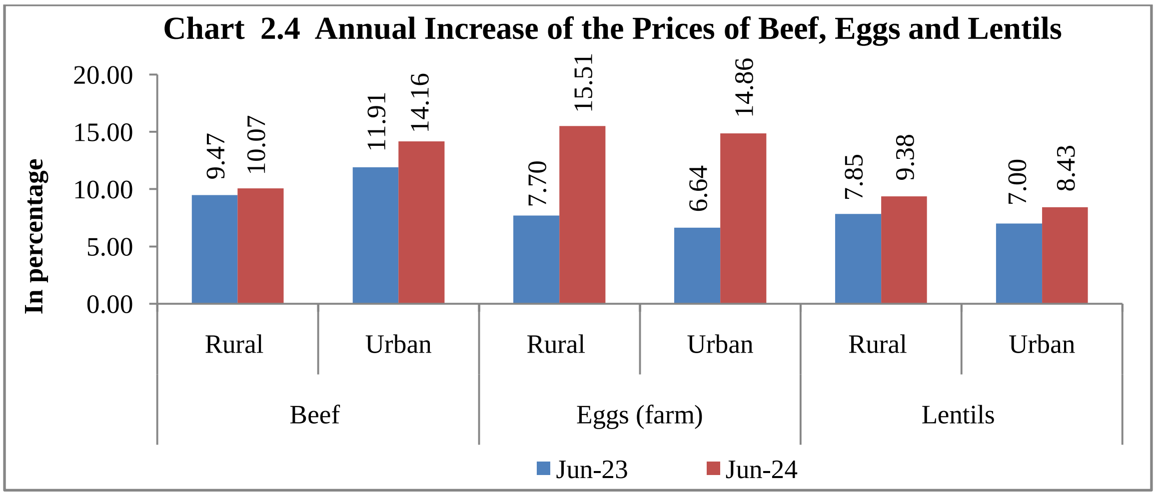
The survey team gathered data on the prices of three types of chicken—local, *Sonali*, and broiler. In rural areas, the price of one kilogram of local chicken increased by 12.99 percent in June 2024 compared to an 11.59 percent increase in June 2023, while *Sonali* chicken saw an annual increase of 11.74 percent in June 2024 compared to 11.42 percent increase in June 2023. Broiler chicken, on the other hand, experienced a price increase of 10.00 percent in June 2024 compared to a 9.59 percent increase in June 2023. In urban areas, the price of local chicken rose by 14.25 percent in June 2024 compared to a 13.09 percent increase in June 2023, while *Sonali* chicken saw a price increase of 10.52 percent in June 2024 compared to a 10.04 percent increase in June 2023. The price of broiler chicken increased by 10.47 percent in June 2024 compared to 9.83 percent increase in June 2023. The data reveal that the increase in price of chicken (local) is lower in rural areas because this type of chicken is grown everywhere in rural areas. Due to the huge supply the price increase for *Sonali* chicken is lower in urban areas compared to rural areas. The increase in price of broiler chicken is lower in rural areas, likely due to the rise of small-scale broiler chicken farming in these areas. The annual increases of the prices of three types of chicken are shown in Chart 2.3.



Source: Calculation by Survey Team

2.2.2. Price of Beef, Egg and Lentils

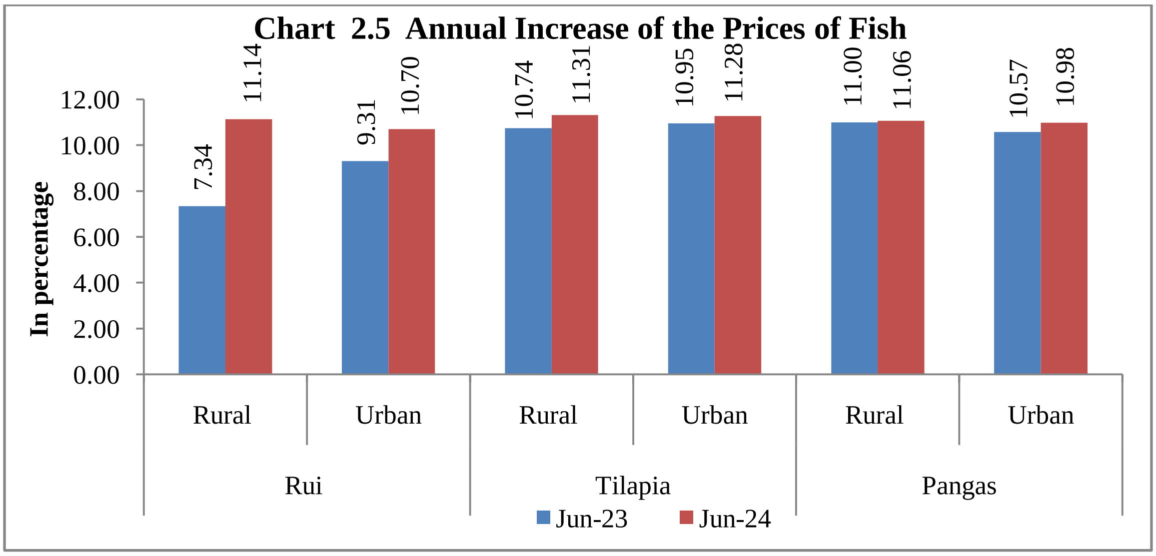
In rural areas, the price of one kilogram of beef increased by 10.07 percent in June 2024 compared to a 9.47 percent increase in June 2023, while the price of farm eggs saw an annual increase of 15.51 percent in June 2024 compared to a 7.70 percent increase in June 2023. Lentils, on the other hand, experienced a price increase of 9.38 percent in June 2024 compared to a 7.85 percent increase in June 2023. In urban areas, the price of one kilogram of beef rose by 14.16 percent in June 2024 compared to 11.91 percent increase in June 2023, while farm eggs saw a price increase of 14.86 percent in June 2024 compared to a 6.64 percent increase in June 2023. The price of lentils increased by 8.43 percent in June 2024 compared to a 7.00 percent increase in June 2023. The data reveal that both rural and urban areas experienced higher annual price increases for farm eggs compared to beef and lentils. In rural areas, the price of eggs and lentils increased more due to market capturing by large companies and intermediary activities, while the increase in beef price is higher in urban areas as cattles are transported from rural areas to meet higher demand in urban areas. The annual increases in the prices of beef, farm eggs, and lentils are shown in Chart 2.4.



Source: Calculation by Survey Team

2.2.3. Price of Fishes

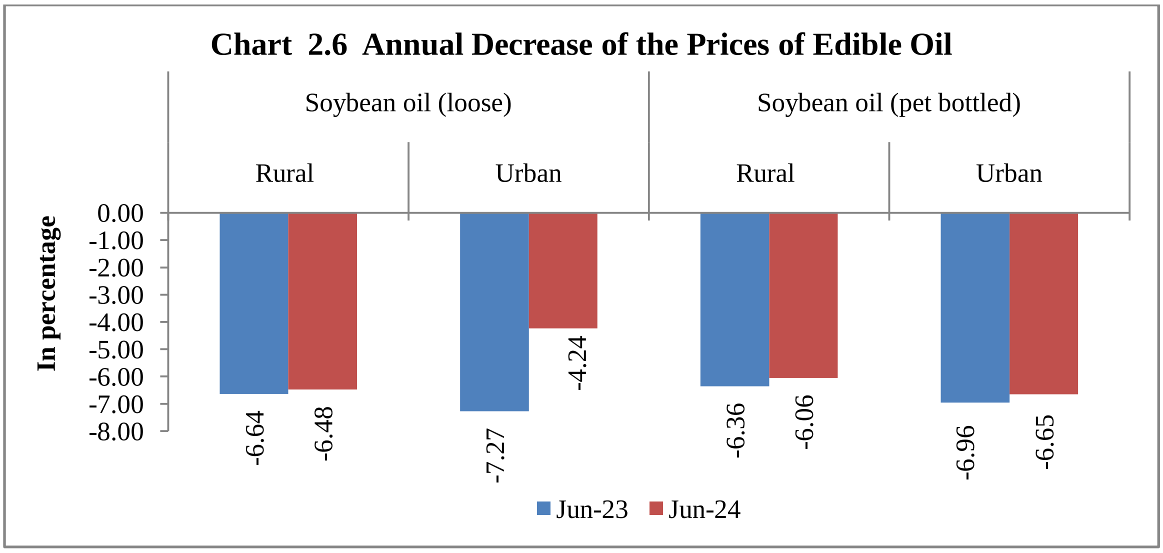
The survey team collected data on the prices of three types of fish—*Rui* (weight between 1 to 2 kilograms), *Tilapia* (medium sized) and *Pangas* (weight between 1 to 2 kilograms). In rural areas, the price of *Rui* increased by 11.14 percent in June 2024 compared to a 7.34 percent increase in June 2023, while Tilapia saw an annual price increase of 11.31 percent in June 2024 compared to a 10.74 percent increase in June 2023. *Pangas*, on the other hand, experienced a price increase of 11.06 percent in June 2024 compared to an 11.00 percent increase in June 2023. In urban areas, the prices of *Rui*, *Tilapia* and *Pangas* rose by 10.70 percent, 11.28 percent and 10.98 percent respectively in June 2024 compared to the increases of 9.31 percent, 10.95 percent and 10.57 percent respectively in June 2023. The price of *Pangas* increased in June 2024 compared to increase in June 2023. The data reveal that all three types of fish—*Rui*, *Tilapia*, and *Pangas* experienced higher annual price increases in rural areas compared to urban areas. This is likely due to urban areas receiving a large quantity of fish from various parts of the country with some frozen facilities, while rural areas lack in frozen facilities and face higher prices for live and fresh fish. The annual increases in the prices of these three types of fish are shown in Chart 2.5.



Source: Calculation by Survey Team

2.3. Price of Edible Oil

The survey team collected the price of one type of edible oil, i.e., soybean oil, with its two varieties— loose and pet bottled. In rural areas, the price of one litre of soybean oil (loose) decreased by 6.48 percent in June 2024 compared to a 6.64 percent decrease in June 2023. Similarly, the price of one litre of soybean oil (pet bottled) saw a decrease of 6.06 percent in June 2024 compared to a 6.36 percent decrease in June 2023. In urban areas, the price of one litre of soybean oil (loose) recorded a decrease of 4.24 percent in June 2024 compared to a 7.27 percent decrease in June 2023, while the pet bottled variety saw a price decrease of 6.65 percent in June 2024 compared to a 6.96 percent decrease in June 2023. The price of soybean oil (pet bottled) is fixed and remains consistent across both urban and rural areas, resulting in no significant variation in price increases between these areas. However, the prices of both varieties of soybean oil have gradually decreased over the last two years from a peak in June 2022. The annual decreases in the prices of soybean oil are shown in Chart 2.6.

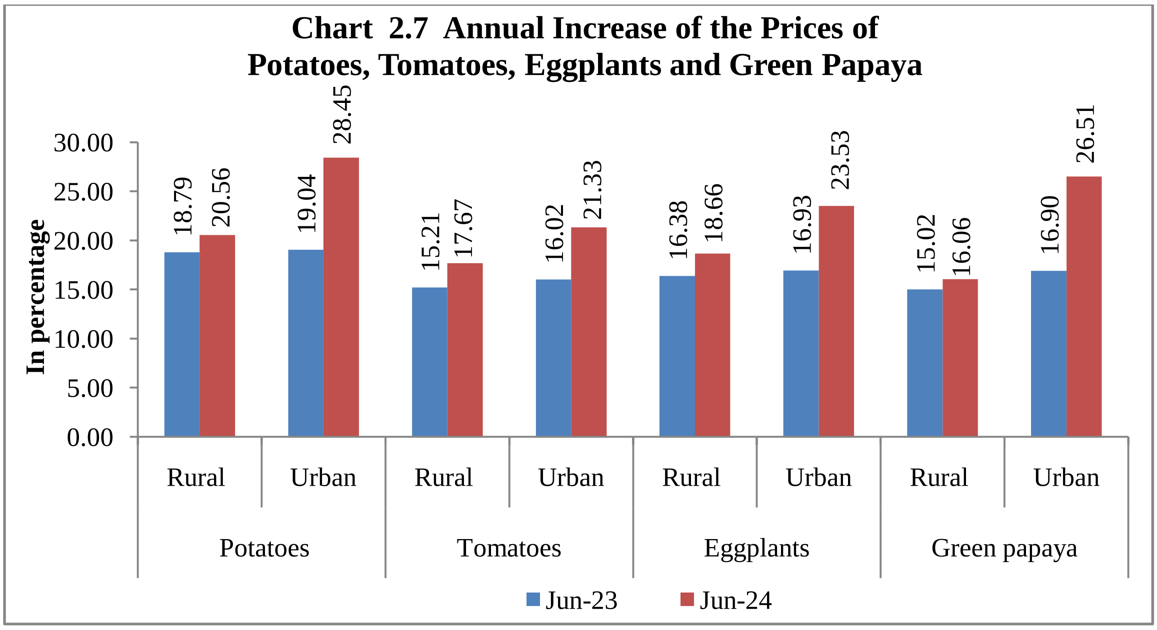


Source: Calculation by Survey Team

2.4. Price of Vegetables

2.4.1. Price of Potatoes, Tomatoes, Eggplant and Green Papaya

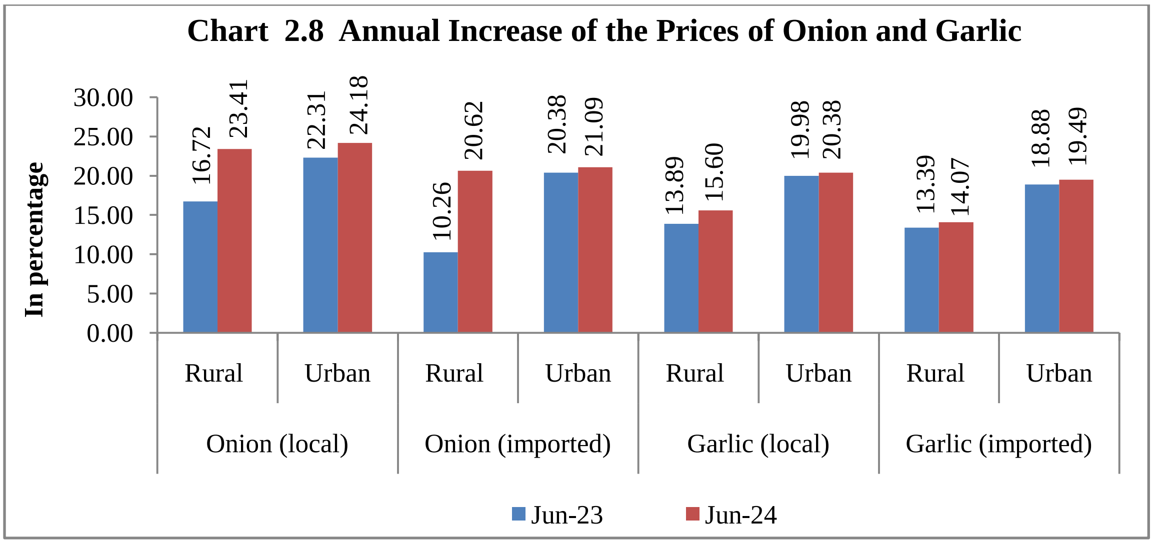
The survey team collected the prices of four types of vegetables— potatoes, tomatoes, eggplant and green papaya. In rural areas, the price of one kilogram of potatoes increased by 20.56 percent in June 2024 compared to 18.79 percent increase in June 2023, while tomatoes saw an annual price increase of 17.67 percent in June 2024 compared to a 15.21 percent increase in June 2023. Eggplant prices rose by 18.66 percent in June 2024 compared to a 16.38 percent increase in June 2023, and green papaya experienced a price increase of 16.06 percent in June 2024 compared to 15.02 percent increase in June 2023. In urban areas, the price of one kilogram of potatoes rose by 28.45 percent in June 2024 compared to a 19.04 percent increase in June 2023, while tomatoes saw a price increase of 21.33 percent in June 2024 compared to a 16.02 percent increase in June 2023. Eggplant prices increased by 23.53 percent in June 2024 compared to a 16.93 percent increase in June 2023, and green papaya saw a price increase of 26.51 percent in June 2024 compared to 16.90 percent increase in June 2023. As perishable items, vegetables are sold fresh at lower prices in rural areas, while high transportation and preservation cost make price of vegetables costly in urban areas. The annual increases in the prices of potatoes, tomatoes, eggplant, and green papaya are shown in Chart 2.7.



Source: Calculation by Survey Team

2.4.2 Prices of Onion and Garlic

The survey team collected the prices of onion and garlic with their two varieties each— local and imported. In rural areas, the price of one kilogram of local onions increased by 23.41 percent in June 2024 compared to a 16.72 percent increase in June 2023, while the imported variety saw an annual price increase of 20.62 percent in June 2024 compared to 10.26 percent increase in June 2023. For garlic, the price of the local variety rose by 15.60 percent in June 2024 compared to a 13.89 percent increase in June 2023 and the imported variety experienced a price increase of 14.07 percent in June 2024 compared to 13.39 percent in June 2023. In urban areas, the price of one kilogram of local onions rose by 24.18 percent in June 2024 compared to 22.31 percent increase in June 2023, while the imported variety recorded a price increase of 21.09 percent in June 2024 compared to 20.38 percent in June 2023. For garlic, the local variety saw an annual price increase of 20.38 percent in June 2024 compared to 19.98 percent in June 2023, while the imported variety recorded a 19.49 percent price increase in June 2024 compared to 18.88 percent increase in June 2023. The increase in prices of local varieties of onion and garlic is lower in rural areas compared to urban areas due to the local supply of these spices. The annual increases in the prices of these items are shown in Chart 2.8.



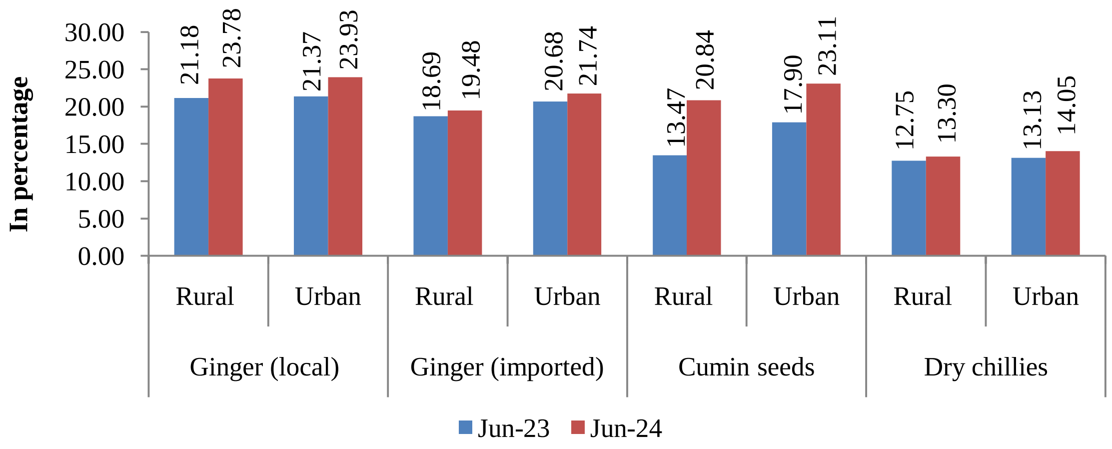
Source: Calculation by Survey Team

2.5. Prices of Spices and Mineral

2.5.1 Prices of Ginger, Cumin Seeds and Dry Chilies

The survey team collected the prices of ginger with its two varieties— local and imported. In rural areas, the price of one kilogram of local ginger increased by 23.78 percent in June 2024 compared to 21.18 percent increase in June 2023, while the imported variety saw an annual price increase of 19.48 percent in June 2024 compared to 18.69 percent in June 2023. Additionally, the prices of 100 grams each of cumin seeds and dry chilies in rural areas recorded annual increases of 20.84 percent and 13.30 percent, respectively, in June 2024, compared to the increase of 13.47 percent and 12.75 percent, respectively, in June 2023. In urban areas, the price of one kilogram of local ginger rose by 23.93 percent in June 2024 compared to 21.37 percent increase in June 2023, while the imported variety recorded a price increase of 21.74 percent in June 2024 compared to 20.68 percent in June 2023. For cumin seeds and dry chilies, the urban retail prices of 100 grams each saw annual increases of 23.11 percent and 14.05 percent, respectively, in June 2024, compared to 17.90 percent and 13.13 percent increases, respectively, in June 2023. The increase in prices of local varieties of ginger is lower in rural areas compared to urban areas due to the local supply of this item. In contrast, the prices of imported spices like cumin seeds and dry chilies rise more in urban areas than in rural areas because of higher transport costs, wages, and rent. The annual increases in the prices of these items are shown in Chart 2.9.

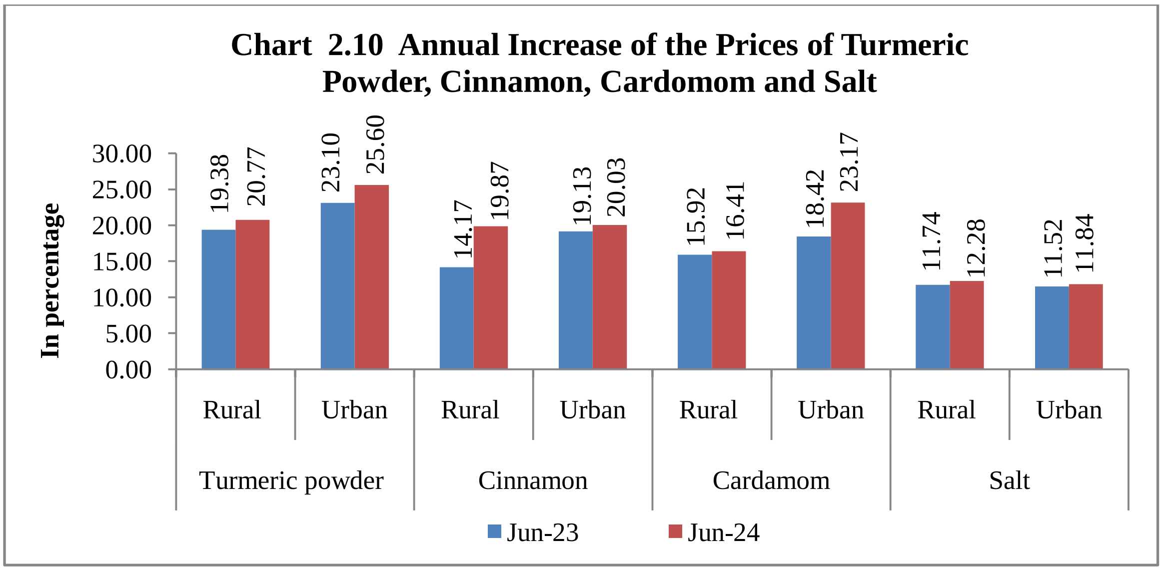
Chart 2.9 Annual Increase of the Prices of Ginger, Cumin Seeds and Dry Chillies



Source: Calculation by Survey Team

2.5.2 Prices of Turmeric Powder, Cinnamon, Cardamom and Salt

The survey team gathered data on the prices of 100 grams each of turmeric powder, cinnamon, and cardamom, as well as one kilogram of salt. In rural areas, the price of turmeric powder increased by 20.77 percent in June 2024 compared to a 19.38 percent increase in June 2023. Cinnamon saw an annual price increase of 19.87 percent in June 2024 compared to 14.17 percent increase in June 2023. Cardamom prices rose by 16.41 percent in June 2024 compared to a 15.92 percent increase in June 2023, while the price of salt increased by 12.28 percent in June 2024 compared to 11.74 percent in June 2023. In urban areas, the price of turmeric powder rose by 25.60 percent in June 2024 compared to a 23.10 percent increase in June 2023. The price of cinnamon recorded an increase of 20.03 percent in June 2024 compared to 19.13 percent increase in June 2023. Cardamom saw a significant price rise of 23.17 percent in June 2024 compared to 18.42 percent in June 2023, while the price of salt increased by 11.84 percent in June 2024 compared to 11.52 percent in June 2023. The data reveal annual price increases for turmeric powder, cinnamon, and cardamom are higher in urban areas. In contrast, the price increase for salt shows little variation between urban and rural areas, as big companies now sell packaged salt at a fixed price distributed uniformly across the country. The annual increases in the prices of turmeric powder, cinnamon, cardamom, and salt are shown in Chart 2.10.



Source: Calculation by Survey Team

3. Causes of High Food Prices

Increase in the Cost at the Production Level

All types of input costs viz. prices of cattle feed, fish feed, poultry feed, seeds, chicks, fertilisers and insecticides, etc., wage, rent, cost of fuel, electricity and transportation increased excessively and that led to raise the production costs at the farmer's/producer's level.

Dependency of Farmers on Few Suppliers for Inputs

A major factor contributing to increase in input prices is the dependency of farmers on a few influential companies for agricultural inputs. These companies exercise monopoly power, allowing them to set input prices unilaterally, which further burdens the farmers.

Switch to More Profitable Crop Production

The farmers' financial strain has led to a noticeable shift in crop production. For example, a significant portion of farmers in the northern part of the country are switching from paddy to maize, which is currently more profitable. If this trend continues, there could be a substantial decrease in paddy production, potentially driving up the price of paddy and rice in the future. Furthermore, some large companies are actively encouraging farmers to produce fine rice by providing them with the necessary inputs and resources. Since the production cost for fine rice is nearly the same as that for other varieties, farmers find it more profitable to cultivate fine rice. This shift is also contributing to the decline in the production of coarse and medium paddy.

Lack of Finance

Many farmers are forced to sell their products immediately after harvest to repay informal loans incurred during cultivation. For example, many poultry farm owners, particularly, marginal ones are facing severe financial crises. They often have to purchase poultry feed on credit, which inflates the cost compared to regular prices, further exacerbating their financial challenges. The farmers those are compelled to sell their products during the harvesting season at lower prices, resulting in minimal profit margins.

Influences of Wastage/Storage on the Market Prices

The wastage and improper storage of perishable goods such as potatoes, tomatoes, and similar food items have significant implications for food prices. Poor storage conditions, inadequate transportation infrastructure, and inefficient supply chain management often lead to substantial losses in quantity and quality, reducing market availability and increasing prices. In Bangladesh, potatoes are generally stored in cold storage. Although the price of tomatoes at the producer level is relatively fair, farmers facing inadequate storage facilities are bound to sell their products immediately after harvest. A comparative analysis of potato and tomato production and storage facilities shows that the price fluctuations in potatoes are lower than those of tomatoes in the lean season.

Significant Discrepancy of Prices between Wholesale and Retailed Prices

The study team found a substantial gap between wholesale and retailed prices of domestically produced food items. In Bangladesh, there are generally three intermediaries of reaching goods from producer/importer to end customer: distributor (*arotdar*), wholesaler and retailer.

Producer/ Importer → Central Market Terminal (Distributor/*Arotdar*) → Wholesaler → Retailer

The survey team found higher price gap between wholesaler and retailer. A case study of marketing of local onion shows that *Arotdar*, wholesaler and retailer add about 2%, 3% and 25% respectively to their purchase prices of onion in December 2024.

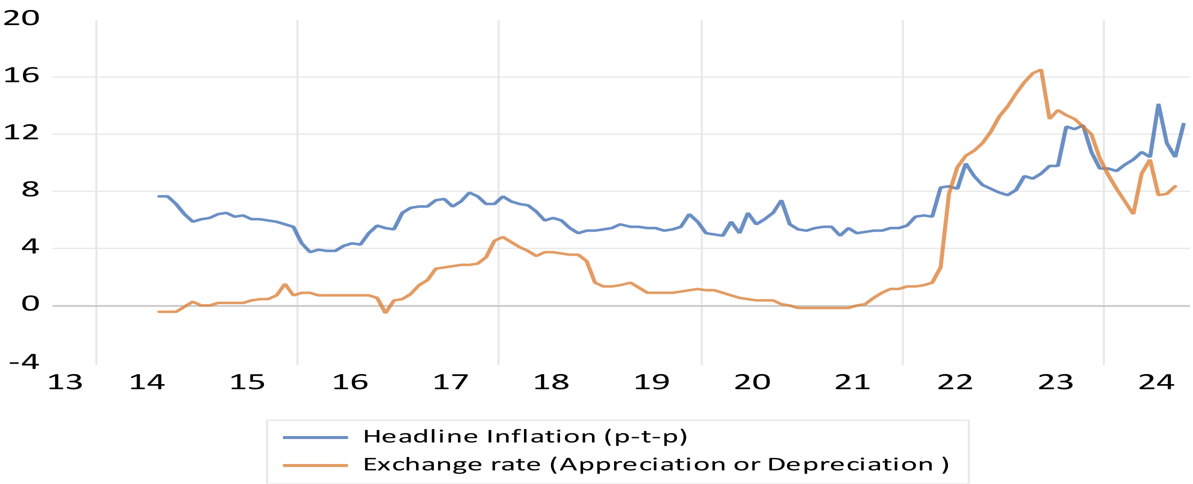
Fluctuation of food grain prices in the international market

Variations in the prices of global commodities can influence the prices of domestic commodities. To compare domestic prices with international prices, three commodities—beef, chicken and soybean oil were selected. It is found that only local chicken (broiler) prices shows sporadic relation with the international price due to the reliance on imported raw materials for feed production whereas no correlation was found for the prices of beef and soybean oil with the international prices. Though international prices are naturally lower than the local prices, the variations of prices between local and international markets is higher in soybean oil (30%) and lower in chicken (17.1%) and beef (10.5%) from January to December of 2024.

Increase in Costs of Food Imports

A strong positive relationship exists between headline inflation and exchange rate depreciation (Chart 3.1). From FY13-FY24, it is found that the correlation coefficient between headline inflation and exchange rate depreciation is 0.89. As BDT against USD is depreciated, import cost became higher which led to increase the prices of imported food items well as locally grown food items.

Chart 3.1: Headline Inflation (point to point) and Exchange Rate Fluctuation



Influence of Large Companies on the Market Prices

Large companies holding above 50 percent of the market share in agricultural inputs and outputs influence their prices. The study team was informed by the respondents that some large companies are controlling the feed, soybean oil and spices markets. Although the survey team did not directly measure the extent of large farms' control over agricultural inputs or outputs, they observed indications of such control and provided insights based on secondary sources.

- The largest cost component in broiler chicken farming is feed. The feed industry is oligopolistic, with the top 10 producers accounting for approximately 75 percent of the market share[1].
- The soybean oil production process is also oligopolistic in nature. Only four companies control 80 percent of the total output. Despite rising consumption, the number of oil refiners has declined[2].

Regional Price Discrepancy

During the survey period, it was also evident in the Sylhet region that, the high inflow of remittances increases the purchasing power of local consumers. The region's agricultural production is not as diverse or abundant as that of other regions such as Barishal or Rajshahi. As a result, a significant amount of food is transported to this region from other regions, further increasing prices. Moreover, Sylhet is prone to seasonal flooding and other natural disasters, which disrupt local production, damage crops, and restrict access to markets. These disruptions are leading to temporary shortages and price hikes for essential food items.

Seasonal Impact

The prices of agricultural products like cereals, proteins, vegetables and spices can fluctuate due to seasonal harvesting patterns. For example, after the harvest season, prices tend to stabilise, but before the new harvest, prices may increase due to a temporary supply shortage. Once the next harvest comes in, the prices generally stabilise, making such price hikes transitional.

Natural Disaster

Crops have been damaged in some regions due to excess rainfall, and also affected by severe flood, which is responsible for the disruption of the supply chain resulting in high inflation.

Absence of Proper and Timely Market Monitoring

The Absence of proper and timely market monitoring distorted the prices of food prices in different areas.

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[1] https://emergingrating.com/wp-content/uploads/2022/12/The-Feed-Industry-in-Bangladesh_An-Overview-V1.pdf

[2] https://www.thedailystar.net/business/economy/news/edible-oil-market-now-controlled-big-four-3591461

4. Remedial Measures for High Food Inflation

Providing Government Support to Farmers

Farmers, particularly those producing essential food items, should be provided with comprehensive government support to prevent them from selling their crops at lower prices immediately after harvest.

- The government should establish and ensure fair prices when farmers sell their products in local markets.
- With the rising cost of cattle, fish, and poultry feed due to the oligopolistic nature of the feed industry, the government should also ensure fair prices for the feed under the supervision of the Department of Agricultural Extension.
- Agricultural subsidies on inputs such as fertilisers, pesticides, medicine and vaccination must be provided in a timely manner to reduce production costs.
- The government should ensure an adequate electricity supply to maintain uninterrupted agricultural production.
- Fuel, such as the price of diesel, must be reduced because it increases the cost of cultivation, irrigation and transport. In this regard, the government can introduce the Diesel Card for farmers to receive diesel at a subsidised price.

Prioritizing agricultural loans to Marginal and Small Farmers (MSFs)

In the poultry, fish, and cattle breeding sectors, marginal and small farmers (MSFs) should be prioritised for access to loans from commercial banks with flexible repayment terms. This would enable them to purchase feed and other inputs at regular prices rather than relying on informal credit channels with high interest costs.

- The Agricultural Credit Department of Bangladesh Bank (BB) can issue guidelines for accessing more loans to MSFs.
- BB's SME & Special Programs Department can provide guidelines for providing necessary loans to cottage, micro and small enterprises (CMSEs) with a view to producing, distributing and marketing agricultural products.
- BB can also instruct banks/finance companies to discourage financial supports to medium and large enterprises in order to create cartels in farming, importing, distribution and marketing agro products.

Reducing Import Duties on Necessary Food Items

Import duties for the food products need to be reduced and timely opening of letter of credit (LC) for essential food products is to be ensured.

- Import tariff on poultry feed, fish feed, cattle feed, and fertilizer should be reduced to bring down the price of these crucial items for production.

- The government should allow more importers in different parts of the country for importing agro foods and input materials so that no one can influence prices of food items throughout the country.

Enhancing Government Initiatives in Importing and Distributing Food Items

The government should import necessary food items and distribute them as required.

- The government's open market sale (OMS) should be strengthened to contain food inflation both in rural and urban areas.
- The proper execution of ongoing OMS activities must be closely monitored to ensure their effectiveness.
- In case of the oligopolistic nature of imported food items, the government can import directly through the Trading Corporation of Bangladesh (TCB).

Increasing Perishable Foods' Storage Capacity

Currently storage facility is only available for potatoes. Therefore, storage facility should be increased for other perishable food items.

- The government should work on setting up more cold storage facilities for perishable items like potatoes, tomatoes, and other vegetables in high-production areas like Rangpur, Panchagarh, and Munshiganj, with minimal costs to farmers with a view to reducing post-harvest losses and preventing the need for immediate sale at low prices.

Arranging a System to Buy Agricultural Goods Directly from Farmers

There are five stages in the supply chain of agricultural products—producer/farmer, *foria/beparis*, distributor/*arotdar*, wholesaler and retailer. The *foria/beparis* (middlemen in the village) collect the agricultural products directly from the producer and transports them to the *arotdar*. The wholesalers collect products from *arotdar* and sell these products to the retailers (who sell goods to the consumers). The middlemen are mainly responsible for price hikes. Hence, the farmers do not get the proper price of their products. In many cases, the cost of production cannot be met. In this regard, direct buying from farmers is a good option.

- Cooperative-based agriculture marketing systems can be introduced in rural areas with the support of the government.
- Wholesale cum retail shops can be set up in every corner of the locality in order to reduce the large price gap in wholesale and retail prices.
- Development of online agricultural marketing systems can also help in buying and selling agro-products directly from the farmers/producers.

Regular Market Monitoring

Proper enforcement of existing laws and regulations and consistent market monitoring is necessary to curb the unfair practices that lead to the increases in retail prices.

- The Department of Agricultural Marketing can regularly collects data on the prices of agricultural products at the producers' level during harvest season, and its website can serve as a valuable source of the information.

- The government can establish and regulate food product prices at both wholesale and retail levels during the lean season.
- The government must take punitive measures against the formation of cartels in agricultural marketing and food hoarding to prevent artificial food crises in the market.
- Authorities should take necessary steps to increase competitiveness in the agricultural input and goods market by allowing greater access to the producers/sellers at the production and import levels.

Cultivating High-Yielding Varieties of Crops

Cultivating high-yielding varieties of crops is essential to boost agricultural productivity and meet the increasing demand for food in both urban and rural areas.

- Farmers need to be encouraged to adopt crop rotation or intercropping—growing multiple crops on the same land—to maximise land use efficiency, improve soil health and reduce the risks associated with monoculture.
- Providing access to advanced seeds and farming techniques along with training and incentives would further support farmers in increasing their yields sustainably.

6. Conclusion

Addressing high food inflation in Bangladesh necessitates a thorough strategy that confronts both the underlying causes and systemic inefficiencies present in the agricultural and food supply chains. The rise in inflation is multifaceted, driven by increasing production costs, monopolistic control by large companies, and supply chain inefficiencies exacerbated by intermediaries and cartels. According to the survey responses, a major contributor to inflation is the activities of a few large companies, which hold significant market share through hoarding and creating artificial supply shortages. The lack of market competition, compounded by weak regulatory oversight, has allowed them to thrive and drive up retail and wholesale prices.

In the face of supply-side bottlenecks, the central bank's monetary policy has a limited impact on containing inflation through various policy tools. The central bank can make guidelines for providing more loans to marginal and small farmers (MSFs) with flexible repayment terms so that they can purchase feed and other inputs at regular prices rather than relying on informal credit. The need for stringent regulation and enforcement to dismantle cartels and promote fair competition in agricultural markets is crucial. The government must also provide substantial support to farmers by ensuring subsidies on essential inputs and electricity, thereby reducing production costs. Moreover, expanding cold storage facilities in high-production areas can help farmers preserve perishable goods and avoid forced sales at lower prices immediately after harvest. Factors behind the supply chain inefficiency should be thoroughly identified and improved. If imperfect competition and systemic supply-side inefficiencies are prevailed, the monetary policy taken by the Bangladesh Bank will be less effective, and the inflation situation may deteriorate further.

Annexure I

Sl. No.	Name of Food Items	Weights (w.) in National CPI Basket
	Cereals (w. 9.49)	
1.1	Rice (coarse)	3.78
1.2	Rice (medium)	5.32
2.1	Flour (loose)	0.39
2.2	Flour (packet)	
	Protein (w. 10.35)	
3	Beef	2.67
4.1	Chicken (Local)	2.19
4.2	Chicken (Sonali)	
4.3	Chicken (broiler)	
5	Eggs (farm)	0.85
6	Rui fish	1.11
7	Tilapia fish	1.40
8	Pangas fish	1.11
9	Lentils (fine)	1.02
	Vegetables (w. 2.84)	
10	Potatoes	1.13
11	Tomatoes	0.21
12	Eggplants	0.39
13	Green papaya	0.16
14.1	Onion (Local)	0.71
14.2	Onion (imported)	
15.1	Garlic (Local)	0.24
15.2	Garlic (imported)	
	Edible Oil, Spices and Mineral (w. 4.71)	
16.1	Soybean oil (loose)	1.98
16.2	Soybean oil (packet)	
17.1	Ginger (Local)	0.53
17.2	Ginger (imported)	
18	Cumin seeds	0.44
19	Dry chillies	0.55
20	Turmeric powder	0.50
21	Cinnamon	0.32
22	Cardamom	
23	Salt	0.39
	Total weights (w.)	**27.39**

Annexure II

Division	District	Area Covered
Dhaka	Dhaka	District City, Karanigonj, Dhamrai
	Munshigonj	District City, Sreenagar
	Tangail	District City, Mirzapur
	Faridpur	District City, Bhanga
	Kishoreganj	District City, Karimganj
Chattogram	Chattogram	District City, Hathazari
	Chandpur	District City, Hajiganj
	Cumilla	District City, Chauddagram
	Noakhali	District City, Companiganj
Khulna	Khulna	District City, Dumuria
	Jashore	District City, Monirampur
	Kushtia	District City, Kumarkhali
Rajshahi	Rajshahi	District City, Godagari
	Naogaon	District City, Manda
	Pabna	District City, Sujanagar
	Sirajganj	District City, Bera
	Bogura	District City, Shibganj
Barishal	Barishal	District City, Babuganj
Sylhet	Sylhet	District City, South Surma
Rangpur	Rangpur	District City, Taraganj
	Dinajpur	District City, Birganj
	Panchagarh	District City, Tetulia
Mymensingh	Mymensingh	District City, Gafargaon
	Netrokona	District City, Kendua

Annexure III

A Survey on Trends and Causes of High Food Inflation in Rural and Urban Areas

Questionnaire
[For farmers/Producers/Sellers]

1. Identity of the respondent:
- a) Name:
- b) Educational qualification:
- c) Relevant business experience (in years):
- d) Address:
- e) Upazila:
- f) District:
- g) Division:
- h) Phone number:

2. Type of respondent:
- a) ☐ Rural based ☐ Urban based
- b) ☐ Manufacturer ☐ Retailer ☐ Wholesaler ☐ Importer/dealer

3. State the cost of the following food products you produce/sell at different times:

Sl. No.	Name of food items	Prices at different period of time			
		Currently (2024)	1 year ago (2023)	2 years ago (2022)	Before COVID (2020)
	Cereals				
1.1	Rice (medium)- 1 kg				
1.2	Rice (coarse)- 1 kg				
2.1	Flour (loose) - 1 kg				
2.2	Flour (packet) - 1 kg				
	Protein				
3	Beef - (1 kg)				
4.1	Chicken (Local) - 1 kg				
4.2	Chicken (golden) -1 kg				
4.3	Chicken (broiler) - 1 kg				
5	Eggs (farm) - per dozen				
6	Rui fish (weighing 1-2 kg) - 1 kg				
7	Tilapia fish (medium size) - 1 kg				
8	Pangas fish (1-2 kg weight) - 1 kg				
9	Lentils (fine)- 1 kg				
	Vegetables				
10	Potatoes - 1 kg				
11	Tomatoes- 1 kg				
12	eggplants- 1 kg				
13	Green papaya - 1 kg				
	Edible oil and Spices				
14.1	Edible oil (soybean) loose - 1 litre				
14.2	Edible oil (soybean) packet- 1 litre				
15.1	Onion (Local) - 1 kg				
15.2	Onion (imported) - 1 kg				

Sl. No.	Name of food items	Prices at different period of time			
		Currently (2024)	1 year ago (2023)	2 years ago (2022)	Before COVID (2020)
16.1	Garlic (local) - 1 kg				
16.2	Garlic (imported) - 1 kg				
17.1	Ginger (local) - 1 kg				
17.2	Ginger (imported) - 1 kg				
18	Cumin seeds - 100 grams				
19	Dry chillies - 100 grams				
20	Turmeric powder - 100 grams				
21	Cinnamon- 100 grams				
22	Cardamom- 100 grams				
23	Salt- 1 kg				

4. Information related to price determinants at the production and marketing stage of food products:

	Currently (2024)	1 year ago (2023)	2 years ago (2022)	Before Covid (2020)
A. Farmers/producers (Tick (✔) where applicable)				
1. Now is the production season?	☐ Yes ☐ No			
2. How much lands do you cultivate/yield/produce?				
3. What is the cultivation/yield/production per Decimal?				
4. Production cost (1 kg):				
7. Seeds (1 kg)/Seedlings (1 *pon*)/Seedlings (1 kg)/Chicks (1 pc) Price:				
6. What natural fertilizers do you use?	☐ Yes ☐ No			
7.1 Urea- White Fertilizer (50 kg bag) Price				
7.2 Potash- Red Fertilizer (50 kg bag) Price				
7.3 TSP - Black Fertilizer (50 kg bag) Price				
8.1 Cost of Pesticide (1kg)				
8.2 Cost of Pesticide (1 kg)				
9. Fish Feed/Poultry Feed/Feed Price (1 kg)				
10. Have vaccinations and medicine prices increased?	☐ Decreased ☐ Remained the same ☐ Equal increase ☐ Greater			
11. Irrigation cost (1 *bigha* = 33 decimals) Taka				
12. Tractor cost (1 *bigha* = 33 decimals) Taka				
13. Cost of harvesting machine (1 *bigha* = 33 decimals)				
14. Wages of laborer (per day) Taka				
15. Land Acquisition Cost-per bigha (where applicable)				
16. Do you have a storage (warehousing) system for your products?	☐ Yes ☐ No			

A. Farmers/producers (Tick (√) where applicable)	Currently (2024)	1 year ago (2023)	2 years ago (2022)	Before Covid (2020)
17. Cost of storage in warehouse (per head) Taka				
18.1 Mode of Transport	☐ Porter ☐ Van ☐ Truck/Pick-up ☐ Waterway ☐ Railway			
18.2 Transport distance (km):				
18.3 How much do you transport? kg:				
18.4 Total Transportation Cost (Taka):				
19. Power consumption (% of total yield)				
20. Other expenses				
B. Retailer/Wholesaler/Dealer/Distributor				
1.1 Mode of Transport	☐ Porter ☐ Van ☐ Truck/Pick-up ☐ Waterway ☐ Railway			
1.2 Transport distance (km):				
1.3 How much do you transport? kg:				
1.4 Total Transportation Cost (Taka):				
2. Shop rent (per month) Taka				
3. Warehouse rent (per month) Taka				
4. Employee Salary (monthly) Taka				
5. Price cap at farmer/producer/wholesale level (%)				
6. Other expenses				

4. If you have any comments/suggestions to keep food prices normal.

Signature of the team member

Annexure IV

List of selected Lead Banks for Food Inflation Survey

Division	District	Lead Bank
Dhaka	Dhaka	Bangladesh Krishi Bank
	Munshiganj	Bangladesh Krishi Bank
	Tangail	Bangladesh Krishi Bank
	Kishoreganj	Agrani Bank PLC
	Faridpur	Agrani Bank PLC
Chattogram	Chattogram	Agrani Bank PLC
	Noakhali	Bangladesh Krishi Bank
	Cumilla	Sonali Bank PLC
	Chandpur	Sonali Bank PLC
Rajshahi	Rajshahi	Janata Bank PLC
	Naogaon	Janata Bank PLC
	Bogura	Sonali Bank PLC
	Pabna	Janata Bank PLC
	Sirajganj	Janata Bank PLC
Khulna	Khulna	Bangladesh Krishi Bank
	Jashore	Janata Bank PLC
	Kushtia	Sonali Bank PLC
Sylhet	Sylhet	Bangladesh Krishi Bank
Barishal	Barishal	Agrani Bank PLC
Rangpur	Rangpur	Janata Bank PLC
	Dinajpur	Sonali Bank PLC
	Panchagarh	Rajshahi Krishi Unnayan Bank
Mymensingh	Mymensingh	Agrani Bank PLC
	Netrokona	Sonali Bank PLC